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No. 06-1275

Supreme Court, U.S.
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In The
Supreme Court of the United States

SRAM CORPORATION,

Petitioner,

v.

AD-II ENGINEERING, INC.,

Respondent.

On Petition For Writ Of Certiorari To The Court Of Appeals For The Federal Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

April 30, 2007

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RULE 29.6 CORPORATE DISCLOSURE STATEMENT

The statement required by United States Supreme Court Rule 29.6 has been provided in the petition for writ of certiorari and remains accurate.

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ARGUMENT

A. Petitioner properly seeks review of the Federal Circuit's erroneous decision to contravene and disregard the expert determinations of the United States Patent and Trademark Office on claim construction.

In its Petition, SRAM Corporation ("SRAM") seeks review of the judgment of the Court of Appeals for the Federal Circuit ("the Federal Circuit"). *See* Petition at 1. SRAM seeks review and reversal of the Federal Circuit's ruling that the United States Patent and Trademark Office ("USPTO") erroneously construed claim 16 of U.S. Patent No. 4,900,291 ("the '291 patent") to describe a method of precise indexed downshifting and the Federal Circuit's failure to give any deference to the claim interpretation by the USPTO, the expert agency entrusted with determining the validity of patents and which confirmed patentability after five years of reexamination proceedings relating to this same claim construction issue. *See, e.g.*, Petition at 5 ("In the instant case, the USPTO clearly reviewed the claim construction at issue over a reexamination process of more than five years. The Federal Circuit simply disregarded that work and gave no deference to the USPTO's clear interpretation of claims and the district court's review of that claim interpretation."); *id.* at 8 ("The clear error of the Federal Circuit opinion was caused by ignoring the USPTO's claim construction in its lengthy and on-point prosecution history. The Federal Circuit's opinion ignores the USPTO's prosecution history related to claim 16, which included three separate reexamination proceedings in which the patent owner repeatedly demonstrated that claim 16 describes a method of performing precise indexed downshifting."). The contention by AD-II

Engineering, Inc. ("AD-II") that the Petition does not seek this review and that the Questions Presented are "hypothetical," *see* Opposition at 1-3, is clearly and demonstrably false.[1]

B. Petitioner properly preserved its position that the Federal Circuit erred in ignoring and giving no deference to the United States Patent and Trademark Office's determinations on construing patent claims.

SRAM did not waive either of the Questions Presented. Throughout briefing in the District Court and in the Federal Circuit (including on rehearing), SRAM consistently argued that the final decisions of the United States Patent and Trademark Office ("PTO") should be accorded proper consideration in determining how claim 16 of the '291 patent is interpreted. As the Federal Circuit recognized, SRAM urged adoption of the District Court's construction of claim 16 on the grounds that, after three reexamination proceedings, the USPTO – like the District Court[2] – construed claim 16 as describing "precision

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[1] AD-II also wrongly states that SRAM "denies the existence" of the Federal Circuit's ruling that the USPTO erred in its claim construction. *See* Opposition at 2-3 n. 1. SRAM's Petition expressly quotes from and recognizes the errors of the Federal Circuit's opinion, *see, e.g.*, Petition at 8, 12, and notes further that the Federal Circuit's opinion entirely omitted any substantive discussion of the patent's prosecution and multiple reexaminations, in which the claim was clearly understood to describe precise indexed downshifting. *See id.* at 7-8, 11-12.

[2] Nor did SRAM misrepresent the nature of the District Court's reliance on the USPTO's determinations. *See* Opposition at 4-6. At the time of its claim construction, the District Court had the benefit of reviewing the first two reexaminations of the '291 patent, during which SRAM expressly stated and the USPTO clearly concluded that claim 16 described a method of precise indexed downshifting. The District Court

(Continued on following page)

indexed downshifting," such that the Federal Circuit should have properly deferred to the expert determinations of the USPTO. *See* App. 15. Clearly, the Federal Circuit did not consider SRAM's position on deference to be waived.

Moreover, it is the traditional rule of this Court that "once a federal claim is properly presented, a party can make any argument in support of that claim, parties are not limited to the precise arguments they made below." *Yee v. City of Escondido*, 503 U.S. 319, 334 (1992); *Dewey v. Des Moines*, 173 U.S. 193, 198 (1899). Indeed, this Court will ordinarily feel free to address any issue passed upon by the court below, even if not raised by petitioner. *See Lebron v. National R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995). Supreme Court practice "permit[s] review of an issue not pressed so long as it has been passed upon . . . " *United States v. Williams*, 504 U.S. 36, 41 (1992). Thus, AD-II's unsupported claims of "waiver," proffered to avoid addressing the national importance of the questions presented, carry no weight in this Court.

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also had the benefit of and relied upon the Federal Circuit's opinion in *SunRace Roots Enters. v. SRAM Corp.*, 336 F.3d 1298 (Fed. Cir. 2003), which repeatedly referred to precise indexed downshifting in its discussion of claim 16. Unlike the Federal Circuit, the USPTO did not "change" its construction in the third reexamination, but rather confirmed its prior constructions as well as the validity of claim 16. And, contrary to AD-II's contentions, SRAM has consistently argued that claim 16 describes a method of precise indexed shifting that is not limited to the specific exemplary embodiments disclosed in the specification.

C. Petitioner substantively addresses the legal question of the appropriate level of deference due to the USPTO's determinations of claim scope, in light of the USPTO's expertise and the statutory presumption of patent validity under 35 U.S.C. § 282.

SRAM's Petition contains a detailed analysis of the legal grounds for reversal of the Federal Circuit's determination that courts should afford no deference to the expert determinations of the USPTO in interpreting patent claims. The Federal Circuit's complete disregard for the expert work of the USPTO, which took place in multiple reexaminations lasting over five years and which addressed the exact same claim interpretation at issue below, lacks logic and ignores the statutory mandate by Congress that patents are presumed valid under 35 U.S.C. § 282. By its statutory directive, Congress has recognized that the USPTO has sufficient expertise and knowledge to review the prior art and issue valid patents. In order to discharge these functions the USPTO must interpret patent claims and did so repeatedly in this patent's multiple reexaminations. The Federal Circuit's decision to ignore the work of the USPTO and to accord no deference to this expert agency's determinations contravenes Congressional intent and is inconsistent with its own prior decisions that acknowledge the expertise of the patent examiners employed by the USPTO. *See, e.g., American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984).

In support of its Petition, SRAM cites over forty cases, statutes, and other legal authorities. The assertion by AD-II that the Petition lacks "substantive legal argument or

analysis," Opposition at 7, is simply wrong and contradicted by the record.

Equally misplaced is AD-II's contention that no deference is appropriate to claim construction decisions of the USPTO because courts and the USPTO purportedly apply "different" standards in interpreting patent claims. *See* Opposition at 7-10. The approach taken by courts and the USPTO is fundamentally the same: one begins by reviewing a claim term in the context of the claims and the specification, according the term its ordinary and customary meaning, and reviewing the record to determine if a special meaning has been accorded the term by the patent applicant. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc); MANUAL OF PATENT EXAMINING PROCEDURE § 2111.01 (citing Federal Circuit law, including *Phillips*, for this same proposition).

As this Court has repeatedly recognized, claims cannot be interpreted to include scope expressly disavowed by the patent applicant. *See, e.g., Graham v. John Deere Co.*, 383 U.S. 1, 33 (1966) ("It is, of course, well settled that an invention is construed not only in the light of the claims, but also with reference to the file wrapper or prosecution history in the Patent Office. . . . Claims as allowed must be read and interpreted with reference to rejected ones and to the state of the prior art, and claims that have been narrowed in order to obtain the issuance of a patent by distinguishing the prior art cannot be sustained to cover that which was previously by limitation eliminated from the patent.") (citation omitted); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U.S. 211, 220-21 (1940) (noting that the established rule of claim construction that "the claims allowed cannot by construction be read to cover what was thus eliminated from the patent.").

The USPTO recognizes this same fundamental precept in the rules governing patent prosecution: the presumption of ordinary and customary meaning will be overcome "where the patentee has disavowed or disclaimed scope of coverage, by using words or expressions of manifest exclusion or restriction, representing a clear disavowal of claim scope." MANUAL OF PATENT EXAMINING PROCEDURE § 2111.01 (quoting *International Rectifier Corp. v. IXYS Corp.*, 361 F.3d 1363, 1368 (Fed. Cir. 2004)).

In the instant case, the Federal Circuit ignored the prosecution history of the '291 patent, which directly addressed the very claim construction at issue. The USPTO did not ignore the statements made by patent applicant limiting the scope of claim 16 to a particular method of precision indexed downshifting. There is simply no legal or factual justification for the Federal Circuit's decision to give no deference to the USPTO's construction of claim 16 and to disregard the patent applicant's disavowals of claim scope. Without some form of deference to the USPTO's actions, the courts are contradicting the statutorily prescribed standard of presumed patent validity under 35 U.S.C. § 282.

CONCLUSION

For the foregoing reasons and those stated in the petition, Petitioner SRAM Corporation respectfully requests that the Court grant its Petition for Writ of Certiorari, vacate the Federal Circuit Opinion, and affirm the judgment of infringement entered by the District Court.

Respectfully submitted,

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